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SCIMITAR HYDROCARBONS CORPORATION

1999 Annual Report

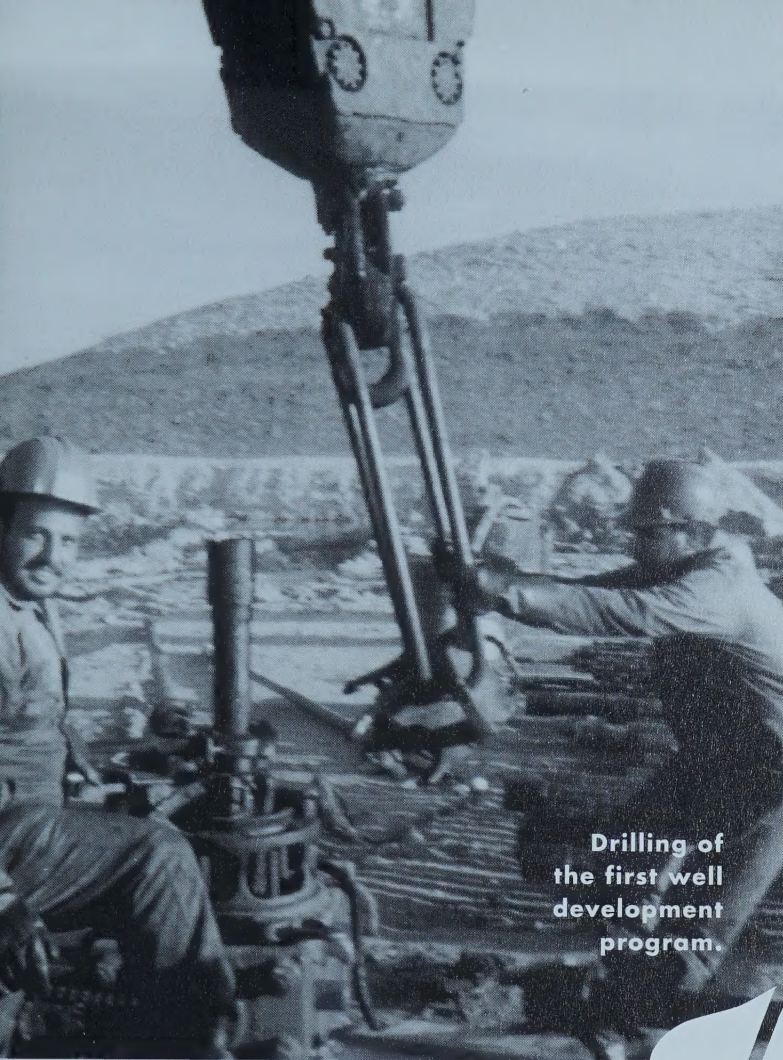
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corporate profile

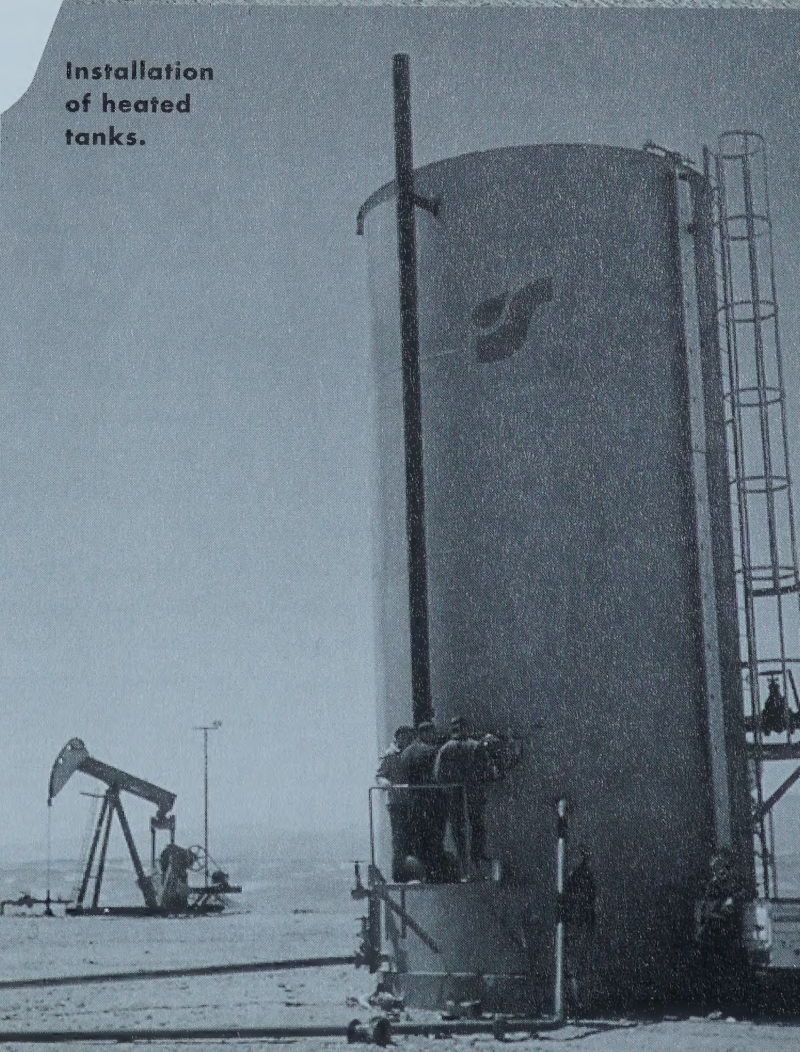
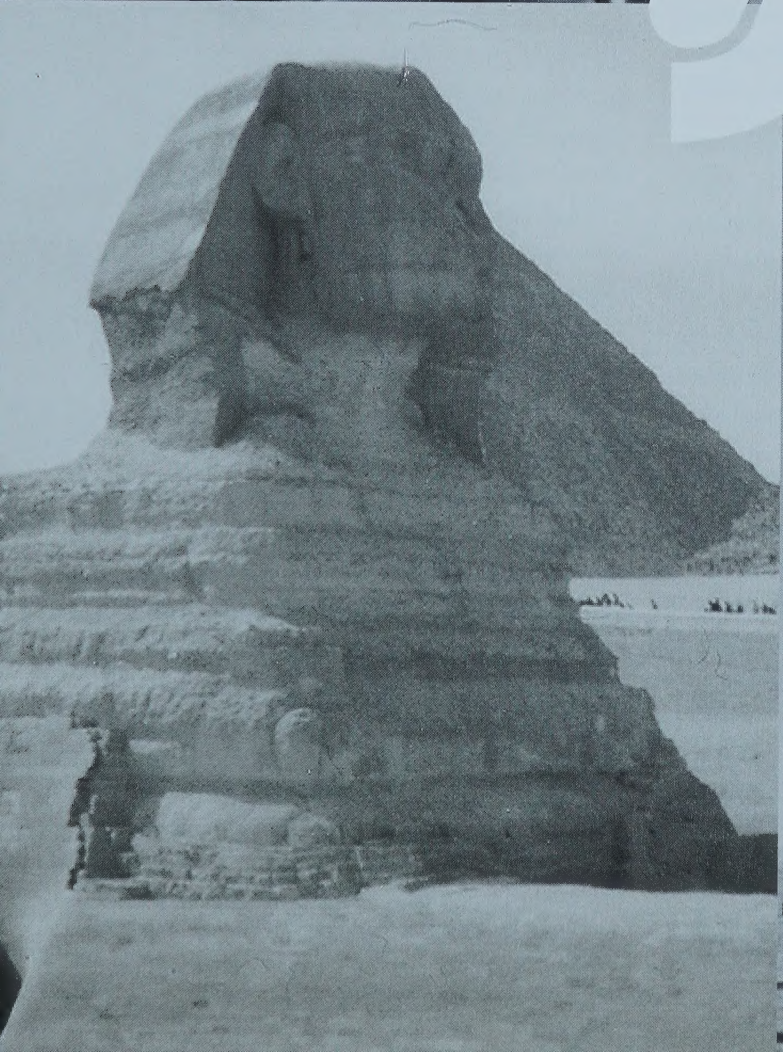
Scimitar Hydrocarbons Corporation is a Canadian based international petroleum company that commenced operations in 1995. Its primary international focus is on Discovered Reserve Opportunities (DROs). This strategy is being effectively implemented in Egypt where the Company has a substantial working interest in prospects with proven hydrocarbon production, market accessibility, and low development capital requirements. Scimitar's success in the Issaran oilfield, Egypt, exemplifies its strategic focus, capturing value using Western Canadian development technology.

Scimitar's key principal, Mr. Angus Mackenzie, is responsible for founding and operating several successful companies in various parts of the world. Scimitar's shares trade on the Canadian Venture Exchange under the symbol 'SIY.'

BOPD	Barrels of Oil Per Day
C\$	Canadian Dollars
DROs	Discovered Reserve Opportunities
MMBBLs	Millions of Barrels
MMBO	Millions of Barrels of Oil
SHC	Scimitar Hydrocarbons Corporation
SPEL	Scimitar Production Egypt Limited
US\$	United States Dollars
PSA	Petroleum Service Agreement



**Drilling of
the first well
development
program.**



**Installation
of heated
tanks.**

message from the president

In 1999, Scimitar realized its goal of becoming financially self-sufficient and to date is one of the few junior oil companies paying for its first development program through cash flow. Management's strategy to achieve positive results with minimum resources in 1999 paid off with remarkable success

Scimitar has rationalized its asset portfolio and focused on establishing itself as a production and development company, generating cash flow and continuing to build on its strength and experience through its Issaran property in Egypt. In 1999, Scimitar realized its goal of becoming financially self-sufficient and to date is one of the few junior oil companies paying for its first development program through cash flow. Management's strategy to achieve positive results with minimum resources in 1999 paid off with remarkable success.

To maximize the value of the Company during 1999, Scimitar undertook corporate cost cutting initiatives and continued to rationalize its portfolio by divesting non-cash generating and long lead-time ventures. This allowed the Company to focus on its evolving success in Egypt. These efforts, combined with last year's increase in crude oil prices, allowed Scimitar to achieve its first operating profits in May 1999. Part of its cost cutting initiative was to reduce the Calgary office to the essential financial, legal and investor relation functions and make the Cairo office the main operations base with direct control of the Issaran project.

Mr. Muslim Lakhani was appointed as a Director of the Corporation and President of Scimitar Production Egypt Limited (SPEL) in March 1999. He was appointed as Executive Vice President and Chief Operating Officer of Scimitar Hydrocarbons Corporation (SHC) in March 2000. Mr. Lakhani's experience in international oil and gas development projects and hands-on leadership is central to the Company's current and anticipated success. His cost conscious management style has allowed the Company to achieve an early positive cash flow and developed the ability to sustain itself at low oil prices.

Scimitar Hydrocarbons Corporation is pleased to welcome Mr. K.A. (Andy) Gustajtis, and Mr. James S. Palmer, C.M., Q.C., to its Board of Directors. Mr. Gustajtis, President of Net Asset Capital Inc., Toronto, Ontario was appointed to the Board of Directors of Scimitar in February

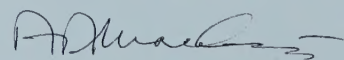
2000. In early April 2000, Mr. Palmer, Chairman of Burnet Duckworth and Palmer, a law firm in Calgary, Alberta, was appointed as a Director of Scimitar. Both Mr. Gustajtis and Mr. Palmer bring to Scimitar a wealth of knowledge and experiences in their respective fields of expertise that are great assets to the Corporation.

Our Board is committed to maintaining cost-effective operations as we concentrate on project development. In keeping with our prudent approach to operating expenses, Scimitar has continued its aggressive development program with no more than twenty-five staff members from Calgary to Cairo. This total staff count includes ten members seconded from General Petroleum Company (GPC) of Egypt for the Issaran field development.

Scimitar completed a Shareholders' Rights Offering in November 1999, which was oversubscribed. Net proceeds of approximately C\$1.47 Million were used to fund capital requirements for Scimitar's Issaran oilfield development drilling program in Egypt. The development plan, including re-completion programs on existing locations and drilling of four low risk, vertical development wells in the Nukhul, Gharandal and Dolomite formations has already more than doubled Scimitar's production from production levels in February 1999.

The outlook for Scimitar in 2000 and 2001 operating years is positive. From our debt free position, we will continue to improve production and cash flow from the Issaran heavy oil operation by further delineating the field prior to investigating and then implementing a thermal recovery program. At the same time, we will look at other low risk DROs within Egypt and the Middle East. With confidence in the proven success of our development plan, Scimitar's future is focused on building on our strength and experience in Egypt.

On behalf of the Board of Directors



Mr. Angus Mackenzie
Chairman, President and CEO

operations review

Issaran Heavy Oil Development Project, Egypt

Scimitar has the exclusive right to develop and produce heavy oil from its 100% interest in the Issaran oilfield. Issaran is an onshore oil field of approximately 75 square kilometers on the west side of the Gulf of Suez. The field has more than 450 million barrels of heavy oil in place from which less than 1 million barrels has been produced using conventional vertical wells with primary production techniques. The area has a well-developed transportation infrastructure and nearby markets for the oil produced.

The Issaran oil field was discovered by a major U.S. oil company in the early 1980's and subsequently abandoned after the oil price crash of the mid 1980's. Although the field contains heavy, viscous oil, it is both more productive and less costly to produce than similar fields in Western Canada, partly because of the very high ambient temperatures of the Gulf of Suez region which allows the oil to remain liquid at surface temperatures. This allows higher production rates and substantially reduces handling costs. Individual well production rates in excess of 350 BOPD under primary production are attained in this field as compared to much lower production rates from typical heavy oil wells in Western Canada.

Under a Petroleum Service Agreement (PSA) with The General Petroleum Company (GPC) of Egypt, Scimitar undertook accelerated development of the Issaran project. Scimitar's strategy is to increase conventional oil production prior to enhancing production through the application of thermal methods. Crude oil production from existing wells in the Issaran field commenced in February 1999 and was progressively increased to 850 BOPD by June of 1999.

Since November 1999, Scimitar has drilled three new wells and plans to drill its fourth well in late March or early April 2000. The drilling program has concentrated on production from the deepest Nukhul reservoir from which initial primary production rates of 200-350 BOPD are achievable. The shallower Upper and Lower

Dolomite reservoirs which contain 90% of Issaran's oil in place is more viscous oil and is being re-evaluated by this program in advance of implementing thermal recovery techniques. The drilling program has further developed the Gharandal reservoir, which has produced at primary production rates similar to the Nukhul.

At a cost per well of approximately US\$450,000 completed, on stream and equipped for production, Scimitar pays for the development program through generated cash flow.

To date, Scimitar has met all the development obligations in the PSA with GPC and will continue to do so in future operations.

Drilling and completion of the first two development wells in the Gharandal and Nukhul formations has added approximately 500,000 barrels of proved producing reserves. However, the Gharandal zone was not included in Scimitar's previous reserve studies and the company intends to have the reserve estimates reevaluated after the completion of the drilling program.

On confirmed estimates for Dolomite, Gharandal and Nukhul reserves, which are in excess of 450 million barrels of original oil in place, Scimitar plans to commence thermal recovery methods by the end of year 2000. On all development programs, Scimitar continues to apply state of the art Western Canadian technology to maximize heavy oil production results.

Other Projects

Mozambique

Scimitar has transferred all of its interest in the Buzi-Divinhe Block and the Buzi Field in Mozambique to a third party subject to receipt of approval from the Government of Mozambique. Under the agreement, Scimitar will retain a 2% net carried working interest in the contract area.

Canada

Scimitar retains a 25% participating interest in its Canadian properties. All financial commitments on these properties have been met.

Scimitar has the exclusive right to develop and produce heavy oil from its 100% interest in the Issaran oilfield. The field has approximately 450 million barrels of heavy oil in place from which less than 1 million barrels has been produced using conventional vertical wells with primary production techniques.

Depth Structure Map
on top of Nukhul
Carbonate



management's discussion and analysis

As approved by shareholders at the Annual General Meeting held on February 26, 1999, the Company's financial year-end was changed from June 30 to December 31. Management's discussions and analysis as set forth below is in respect of the six-month period from July 1 to December 31, 1999.

Revenue

Scimitar's oil production service fee rose to \$2,252,803 for the six-month period ending December 31, 1999 compared to \$890,159 for the fiscal year ending June 30, 1999. There was no production fee for the six-month period ending December 31, 1998. The proceeds resulted from an increase in production from 85,378 barrels in the fiscal year ending June 30, 1999 to 124,491 barrels of oil in the six-month period ending December 31, 1999, at an average price of \$18.10 per barrel of oil. For the months of January and February 2000, Scimitar's revenue increased to \$575,184 and \$573,577 respectively.

Operating Expenses

For the period ending December 1999, operating expenses were \$872,217 to deliver 124,491 barrels of oil, compared to \$366,684 in fiscal 1999 to deliver 85,378 barrels of oil.

General and Administrative

General and Administrative decreased from \$1,186,064 to \$459,935. Included in the general and administrative are employee termination settlement and legal fees of \$135,016 for the period ending December 1999.

Depletion and Depreciation

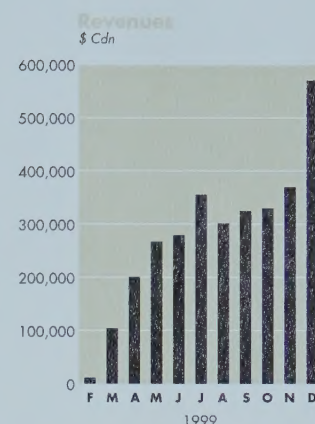
The Company's depletion and depreciation expense was \$526,656 for capital expenditures in Egypt and Canada. Scimitar previously reported depletion of \$249,411 for fiscal June 1999 and wrote off \$5,201,798 in capital expenditures. The substantial increase in depletion expense for the six months ending December 31, 1999 was due to Scimitar using the proved producing reserves only, as the proved undeveloped reserves had not been re-evaluated at December 31, 1999 as of March 17, 2000

Net Income (Loss)

Scimitar's profit before depletion and depreciation was \$887,943 for the period ending December 31, 1999, compared to a loss of (\$5,774,701) for the year ended June 30, 1999. The company reported a net profit after depletion and depreciation of \$361,287 for the period ending December 31, 1999, compared to a loss of (\$6,024,112) for the year ending June 30, 1999.

Liquidity and Capital Resources

During the period, the Company issued 9,033,129 common shares of which 1,250,000 were issued as settlement of indebtedness to a director and officer of \$250,000 and 7,783,129 were issued for net proceeds of \$1,455,991 through a Rights Offering that was over-subscribed. Scimitar had a positive working capital of \$1,161,597 as at December 1999 compared to a deficiency of \$86,345 for the period ending June 1999.



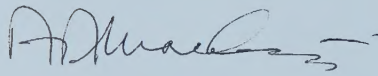
Scimitar's profit before depletion and depreciation was \$887,943 for the period ending December 31, 1999, compared to a loss of (\$5,774,701) for the year ended June 30, 1999.

management's report

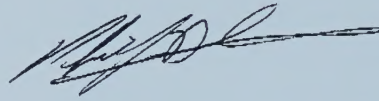
To the Shareholders of Scimitar Hydrocarbons Corporation.

Management is responsible for the preparation of the financial statements in accordance with generally accepted accounting principles and for ensuring that all other financial and operating information presented in this report is consistent with such financial statements. Management has established and maintained a system of internal control which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and the financial information is reliable and accurate.

The Audit Committee is appointed by the Board of Directors and is comprised of a majority of independent directors, which are not employees of the Company. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



Angus A. Mackenzie
President and Chief Executive Officer



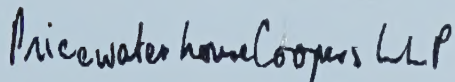
Philip Hawker
Finance Controller

auditors' report**To the Shareholders of Scimitar Hydrocarbons Corporation**

We have audited the consolidated balance sheets of Scimitar Hydrocarbons Corporation as at December 31, 1999 and June 30, 1999 and the consolidated statements of net earnings (loss) and deficit and cash flows for the periods then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1999 and June 30, 1999 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

Chartered Accountants

Calgary, Alberta

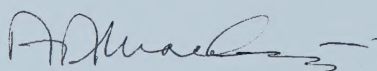
December 31, 1999

consolidated balance sheets

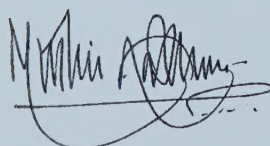
<i>(expressed in Canadian dollars)</i>	December 31, 1999 \$	June 30, 1999 ¢
Assets		
Current assets		
Cash and short-term deposits	950,923	345,870
Accounts receivable	966,562	553,567
Prepaid expenses	33,759	42,133
	1,951,244	941,570
Capital assets (note 2)	4,793,152	3,973,816
	6,744,396	4,915,386
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	789,647	777,915
Note payable (note 3)	—	250,000
	789,647	1,027,915
Shareholders' Equity		
Capital stock (note 4)	27,138,597	25,432,606
Deficit	(21,183,848)	(21,545,135)
	5,954,749	3,887,471
	6,744,396	4,915,386

Contingency and commitments (note 8)

Approved by the Board of Directors



Director



Director

<i>(expressed in Canadian dollars)</i>	Six months ended December 31, 1999 \$	Twelve months ended June 30, 1999 \$
Oil production service fee	2,252,803	890,159
Interest	7,322	65,459
Foreign exchange (loss) gain	(40,030)	24,227
	2,220,095	979,845
General and administrative	459,935	1,186,064
Operating	872,217	366,684
Depletion and depreciation	526,656	249,411
Write-down of petroleum and natural gas properties	–	5,201,798
	1,858,808	7,003,957
Net earnings (loss)	361,287	(6,024,112)
Deficit – Beginning of period	(21,545,135)	(15,521,023)
Deficit – End of period	(21,183,848)	(21,545,135)
Earnings (loss) per share	0.01	(0.23)

Consolidated statements

<i>(expressed in Canadian dollars)</i>	Six months ended December 31, 1999 \$	Twelve months ended June 30, 1999 \$
<i>Consolidated Statement of Cash Flows</i>		
Operating activities		
Net earnings (loss)	361,287	(6,024,112)
Write-down of petroleum and natural gas properties	—	5,201,798
Depletion and depreciation	526,656	249,411
	887,943	(572,903)
Changes in non-cash working capital items		
Increase in accounts receivable	(412,995)	(501,112)
Decrease (increase) in prepaids	8,374	(29,509)
Increase (decrease) in accounts payable	11,732	(64,854)
Increase in notes payable	—	250,000
	495,054	(918,378)
Investing activities		
Additions to capital assets	(1,345,992)	(2,217,586)
Financing activities		
Issuance of common shares – net of share issue costs	1,455,991	1,073,091
Increase (decrease) in cash and cash equivalents	605,053	(2,062,873)
Cash and cash equivalents – Beginning of period	345,870	2,408,743
Cash and cash equivalents – End of period	950,923	345,870

December 31, 1999 and June 30, 1999 (expressed in Canadian dollars)

1 Significant accounting policies

a) *Basis of presentation*

These consolidated financial statements include the accounts of the corporation and those of its wholly owned subsidiaries and are expressed in Canadian dollars.

b) *Capital assets*

The corporation follows the full cost method of accounting whereby all costs related to the exploration for, and the development of, crude oil and natural gas reserves are capitalized on a country-by-country cost centre basis. Costs accumulated within each cost centre are depleted and depreciated using the unit of production method, based on estimated proved reserves, with net production and reserves volumes of natural gas converted to equivalent energy units of crude oil. Proceeds from disposal of properties are normally deducted from the full cost pool without recognition of gain or loss.

Costs of exploration in new cost centres, together with related land costs, are excluded from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties, or if impairment has occurred.

A ceiling test is applied to ensure that capitalized costs do not exceed the sum of estimated undiscounted, unescalated future net revenues from proven reserves plus the unimpaired cost of unproved properties less estimated development costs, related production, interest and general administration costs, estimated site restoration costs, and applicable taxes. The calculations are based on sales prices and costs at the end of the period.

Depreciation of furniture and equipment is calculated using the straight-line method over the estimated useful lives at rates from 10% to 30%.

c) *Joint interest operations*

Certain of the corporation's exploration and production activities are conducted jointly with others, and accordingly, the consolidated financial statements reflect only the corporation's proportionate interest in such activities.

d) *Future site restoration and abandonment costs*

Estimated future site restoration and abandonment costs, net of expected recoveries, will be provided over the life of the proved reserves using the unit-of-production method. Costs are estimated each year by management based on current regulations, costs, technology and industry standards. The annual charge will be included in depletion, and actual removal and site restoration expenditures will be charged to the accumulated provision account as incurred.

e) *Foreign currency translation*

Monetary assets and liabilities are translated at the rates of exchange at the balance sheet dates. Non-monetary assets and liabilities are translated at the rates in effect at the dates the assets or liabilities were acquired. Revenues and expenses are translated at the average rates of exchange during the month in which they are recognized. The resulting gains or losses are included in earnings, except that foreign exchange gains or losses arising on translation of long-term monetary assets and liabilities are deferred and amortized over their remaining term.

f) Stock-based compensation plan

The corporation has one stock-based compensation plan, which is described in note 4.

No compensation expense is recognized for this plan when stock options are issued to directors, officers and employees. Any consideration paid on exercise of stock options is credited to share capital.

g) Cash and cash equivalents

Cash and cash equivalents include short-term investments with a maturity of three months or less when purchased.

h) Reclassifications

Certain information provided in prior years has been reclassified to conform with the current year presentation.

2 Capital assets

	December 31, 1999 \$	June 30, 1999 \$
Petroleum and natural gas properties		
Egypt	4,079,962	2,864,257
Canada	1,031,760	1,017,638
Furniture and equipment	525,894	409,729
Less: Accumulated depletion and depreciation	(844,464)	(317,808)
	4,793,152	3,973,816

Under the terms of the Petroleum Service Agreement governing the development of the Issaran field in Egypt, capital assets and those moveable assets used in the performance of the agreement and charged to the field's operations, become the property of the Egyptian General Petroleum Company S.A.E.

All costs associated with undeveloped petroleum and natural gas properties outside Egypt are considered to be unproven and are excluded from depletion calculations.

The depletion expense for the six months ended December 31, 1999 has been calculated using proved producing reserves only as the proved non-producing reserves had not been evaluated at December 31, 1999 as of March 17, 2000.

During the period ended December 31, 1999, the corporation capitalized \$131,571 (June 30, 1999 – \$702,501) of international administrative and general corporate overhead costs related to the exploration for petroleum and natural gas properties. Of the total capitalized, \$131,571 (June 30, 1999 – \$179,030) related to head office general corporate overhead capitalized to specific projects in the current year. The remaining international capitalized administrative costs are identifiable with and charged to specific projects.

During the period ended June 30, 1999, the corporation recorded a write-down of capitalized exploration, marketing and distribution costs in the amount of \$5,201,798. The write-down reflects management's evaluation as to the future recoverability of these costs.

3 Note payable

On July 23, 1999, the note payable of \$250,000, bearing an interest rate of bank prime plus 1% payable on demand, to the president, chief executive officer, and chairman of the corporation was repaid, including accrued interest, by the issuance of 1,250,000 common shares of the corporation.

4 Capital stock

a) Authorized

Unlimited number of common shares
50,000,000 non-voting preferred shares

b) Issued

	Number of Shares	Amount \$
Common shares		
Balance – June 30, 1998	22,955,558	22,810,422
Issued on exercise of flow-through share warrants	2,712,500	1,549,093
Issued through private placement for cash	3,750,000	750,000
Issued in lieu of salary	464,461	330,491
Repurchased under normal course issuer bid	(37,500)	(7,400)
Balance – June 30, 1999	29,845,019	25,432,606
Common shares		
Issued through conversion of notes payable	1,250,000	250,000
Issued on exercise of rights	7,783,129	1,556,722
Share issue costs	–	(100,731)
Balance – December 31, 1999	38,878,148	27,138,597
Warrants		
Balance – June 30, 1998	2,712,500	1,549,093
Converted to common shares	(2,712,500)	(1,549,093)
Balance – June 30, 1999	–	–

In September 1999, the corporation offered its shareholders the right to subscribe for additional common shares of the corporation. Under the terms of the rights offering, shareholders received 1 right for each common share held. Four rights entitles the holder to subscribe for one common share at a price of \$0.20. The right offering expired November 10, 1999.

c) Stock-based compensation plan

At December 31, 1999, the corporation had one stock-based compensation plan which is described below.

Under the Employee Stock Plan, the corporation may grant options to its directors, officers and employees for up to 10% of the corporation's issued and outstanding shares. Under the plan, the exercise price of each option equals the price of the corporation's stock on the date of the grant. Options vest over 3 years and expire after 5 years.

A summary of the status of the corporation's plan at December 31, 1999 and June 30, 1999 and changes during periods then ended is presented below:

Continuity of stock options

	December 31, 1999		June 30, 1999	
	Shares (000's)	Weighted- average exercise price (\$/share)	Shares (000's)	Weighted- average exercise price (\$/share)
Outstanding at beginning of year	1,885	0.36	2,602	1.06
Granted	1,395	0.25	1,450	0.25
Forfeited	(855)	0.40	(2,167)	1.11
Outstanding at end of year	2,425	0.28	1,885	0.36
Options exercisable at year end	1,320	0.30	908	0.46

The following table summarizes information about the stock options outstanding at December 31, 1999:

	Options outstanding			Options exercisable	
	Number outstanding (000's)	Weighted- average remaining contractual life (years)	Weighted- average exercise price (\$/share)	Number exercisable (000's)	Weighted- average exercise price (\$/share)
Range of exercise prices					
\$0.25 to \$0.43	2,220	4.41	0.25	1,115	0.25
\$0.44 to \$0.85	205	1.39	0.60	205	0.60
	2,425	4.15	0.28	1,320	0.30

d) Earnings (loss) per share

The earnings (loss) per share was calculated using the weighted average number of shares of 33,102,842 (June 30, 1999 – 25,597,532) outstanding during the period.

5 Income taxes

The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rates to income before income taxes. The difference relates to the following items:

	December 31, 1999 \$	June 30, 1999 \$
Income (loss) before income taxes	361,287	(6,024,112)
Corporate tax rate	44.6%	44.6%
Expected income tax expense (recovery)	161,134	(2,686,754)
Foreign tax rate differential	(270,181)	(120,674)
Resource allowance	26,941	103,776
Unrecognized benefit of losses	82,106	2,703,652
	-	-

Under the terms of the Petroleum Service Agreement with the Egyptian General Petroleum Company S.A.E., the fee received on the incremental production is not subject to income tax. On a consolidated basis, the corporation has \$2,260,000 (June 30, 1999 – \$2,453,000) of tax pools available in Canada.

6 Financial instruments

The corporation's financial instruments recognized in the balance sheet consist of all current assets and liabilities. The fair values of the financial instruments recognized in the balance sheet approximate their carrying amounts due to the short-term maturity of these instruments.

7 Economic dependence

Substantially all of the corporation's revenue for the period has been derived from the Egyptian General Petroleum Company S.A.E.

8 Contingency and commitments

The corporation has entered into a Petroleum Service Agreement with the Egyptian General Petroleum Company S.A.E. to develop the Issaran Field in Egypt. Under this agreement the corporation receives a fee based on the market price of the incremental production generated from the Issaran Field over a 20 year period. The corporation is obligated during the next 3 years to undertake certain activities specified in the Petroleum Service Agreement to determine the economic viability of its development plan. The corporation has committed to spend an additional \$2 million under this agreement. The corporation's US \$250,000 letter of guarantee in favour of the Egyptian General Petroleum Company S.A.E., expired on December 31, 1999 and was not renewed.

The corporation signed an agreement on November 30, 1999 which transfers all of its interest in the Buzi-Divinhe Block and the Buzi Field to a third party subject to receipt of approval from the Government of Mozambique. Under the agreement, the Corporation will retain a 2% carried working interest in each of the contract areas. If government approval is not received, under the

Production Sharing Agreement, the corporation is required to meet certain minimum work obligations. Management estimates that it would need to spend US \$3.0 million over the next 3 years to fulfil its minimum work obligations. If government approval is not received, management will attempt to surrender its interest in the contract areas and their associated work obligations.

The corporation has received correspondence dated August 4, 1999, from a law firm representing the corporation's former partners in Trifoil Petroleum Limited, a company created to market petroleum by-products in Kenya. The letter claims that the corporation is liable for its share of the outstanding liabilities of Trifoil Petroleum Limited for a total of US \$281,000. The corporation has sold its shares in Trifoil Petroleum Limited for a nominal amount to the other shareholders and it is management's opinion that the corporation has no further obligations with respect to Trifoil Petroleum Limited or its shareholders.

9 Segmented information

In 1999, the corporation's exploration and development activities were predominately in Canada and Egypt. The corporation's production revenue and expenses relate solely to the corporation's operations in Egypt. Of the \$459,935 (June 30, 1999 - \$1,186,064) of general and administrative expense incurred by the corporation, \$217,777 (June 30, 1999 - \$220,648) related to the Egyptian operations, \$8,425 (June 30, 1999 - \$178,726) related to the corporation's other international operations with the remainder related to the Canadian corporate office.

10 Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.



corporate information

Board of Directors

Angus A. Mackenzie, Chairman*
James S. Palmer, C.M., Q.C.
Muslim Lakhani*
Theodor Hennig*
K.A. Gustajtis
*Audit Committee Member

Management and Key Staff

Angus A. Mackenzie,
President & C.E.O., SHC &
Chairman, SPEL

Muslim Lakhani,
Executive Vice President & C.O.O.,
SHC & President, SPEL

Philip Hawker,
Finance Controller, SHC & SPEL

Melita Dalgado,
Investor Relations, SHC

Gary Tuchscherer,
General Manager – Operations, SPEL

Mohamed M. Assem,
General Manager – Coordination, SPEL

Faheem Khan,
Manager Finance, SPEL

Solicitors

Burnet, Duckworth & Palmer
Calgary, Alberta

Bankers

Royal Bank of Canada
Calgary, Canada

Auditors

PricewaterhouseCoopers LLP
Calgary, Alberta

Registrar & Transfer Agent

Valiant Corporate Trust Company
Calgary, Alberta

Stock Listing SIY

Canadian Venture Exchange

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